

Message Text

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15

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 FEA-02 AID-20 CIAE-00 COME-00

EB-11 FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07

SS-20 STR-08 CEA-02 L-03 H-03 PA-04 USIA-15 PRS-01

DRC-01 /182 W

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R 301728Z AUG 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3471

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS LONDON 11158

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS-WEEK ENDING AUGUST 30

BEGIN SUMMARY: STERLING FELL TO \$2.3135 ON TUESDAY (AUGUST 27), ROSE TO \$2.3195 ON WEDNESDAY, CLOSING AT \$2.3175 ON THURSDAY, UP 35 POINTS ON LAST THURSDAY'S CLOSE. THE UNCLASSIFIED

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EFFECTIVE DEVALUATION WAS 18 PERCENT ALL WEEK, NARROWING

SLIGHTLY ON THURSDAY (AUGUST 29) TO 17.9 PERCENT. GOLD HAS BEEN VIRTUALLY UNCHANGED ALL WEEK AT \$154.50. THERE HAS BEEN LITTLE ECONOMIC NEWS THIS WEEK EXCEPT FOR THE PUBLICATION OF THE LATEST NATIONAL INSTITUTE FORECAST ON THURSDAY. END SUMMARY

1. THE EXCHANGE MARKETS IN LONDON, AFTER BEING CLOSED ON MONDAY FOR THE BANK HOLIDAY, WERE VERY QUIET OVER THE REST OF THE WEEK. THE POUND, WHICH HAD MOVED UP AGAINST THE DOLLAR TO \$2.3235 LAST FRIDAY (AUGUST 23), FELL BACK ON TUESDAY (AUGUST 27) TO \$2.3135. IN CLUSING AT \$2.3175 ON THURSDAY (AUGUST 29), IT WAS ACTUALLY 35 POINTS ON A WEEK AGO. THE TRADE WEIGHTED DEVALUATION AGAINST SMITHSONIAN RATES HAS NARROWED FROM LAST THURSDAY'S 18.2 PERCENT TO 17.9 PERCENT THIS THURSDAY. GOLD AT \$154.50 IS UNCHANGED FROM A WEEK AGO.

2. THE NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH (NIESR) IN ITS LATEST QUARTERLY REPORT HAS REVISED ITS FORECASTS INDICATING THAT RECESSION, INFLATION AND BALANCE OF PAYMENTS WILL BE WORSE THAN PREVIOUSLY BELIEVED BUT MORE IN LINE WITH OTHER RECENT FORECASTS BY OTHER INSTITUTIONS. IT RECOMMENDS AGAINST EMERGENCY ACTION TO HELP THE BALANCE OF PAYMENTS SEEING NORTH SEA OIL AS TAKING CARE OF THE OIL PRICE PROBLEM. SOME FORM OF INCOMES POLICY IS SEEN AS THE BEST WAY OF CHECKING INFLATION AND PROTECTING BRITISH COMPETITIVENESS. THE INSTITUTE IS CRITICAL OF OTHER INDUSTRIAL COUNTRIES WHICH THEY HAD HOPED WOULD BE PERSUADED TO ADOPT MODERATELY EXPANSIONARY POLICIES TO COUNTER THE CONTRACTIONARY EFFECTS OF HIGHER OIL POLICIES. DETAILS OF THE NIESR'S REPORT AND THE LONDON BUSINESS SCHOOL'S LATEST FORECASTS FOLLOW SEPTTEL.

3. THE DISCOUNTS ON FORWARD STERLING NARROWED OVER THE WEEK.

	8/22	8/29	CHANGE
1 MONTH	0.35	0.15-1/2	DOWN 0.20-1/2
3 MONTHS	1.68	1.16-1/2	DOWN 0.51-1/2
6 MONTHS	4.00-1/2	3.25	DOWN 0.75-1/2

(ALL FIGURES IN CENTS)

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4. LOCAL AUTHORITY DEPOSIT RATES WERE RELATIVELY UNCHANGED OVER THE COURSE OF THE WEEK.

	8/22	8/29	CHANGE
1 MONTH	11-5/8	11-5/8	UNCHANGED
3 MONTHS	12-3/4	12-5/8	DOWN 1/8
6 MONTHS	13-1/4	13-1/8	DOWN 1/8

5. EURODOLLAR RATES AT ONE AND THREE MONTHS MOVED DOWNWARD
UNTIL THURSDAY WHEN THEY ROSE MARKEDLY. SIX MONTHS WAS
UNCHANGED OVER THE WEEK.

	8/22	8/29	CHANGE
1 MONTH	13-1/8	12-7/8	DOWN 1/4
3 MONTHS	13-5/8	13-7/8	UP 1/4
6 MONTHS	13-3/4	14-1/8	UP 3/8

6. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 11-3/4
PERCENT ON FRIDAY, AUGUST 30, 1974.
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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
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EO Systematic Review
30 JUN 2005

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To: STATE
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